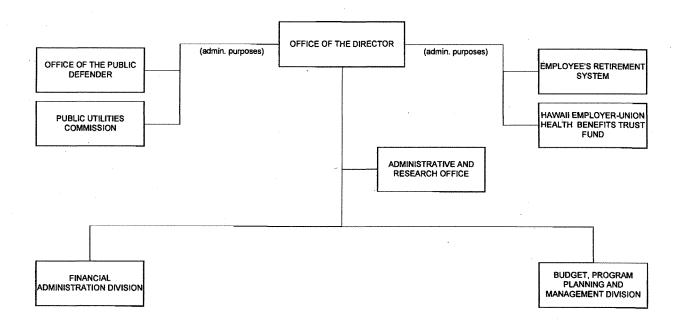


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#### STATE OF HAWAII DEPARTMENT OF BUDGET AND FINANCE ORGANIZATION CHART



#### DEPARTMENT OF BUDGET AND FINANCE MAJOR FUNCTIONS

- Administers the multi-year program and financial plan and executive budget, management improvement, and financial management programs of the state under the general direction of the Governor
- Coordinates state budget services and prepares the Governor's budget for submission to the legislature; administers the financial affairs of the State
- Plans, directs and coordinates the State's investments and financing programs

- Directs and coordinates a statewide retirement benefits program for state and county government employees
- Provides health and life insurance benefits for eligible state and county active and retired public employees and dependents
- Provides comprehensive legal and related services to persons who are financially unable to obtain legal and related services
- Regulates all franchised or certificated public service companies operating in the State

#### **MAJOR PROGRAM AREAS**

The Department of Budget and Finance has programs in the following major program areas:

Individual	Rights	Governme	Government-Wide Support			
BUF 151	Office of the Public Defender	BUF 101	Departmental Administration and Budget			
BUF 901	Public Utilities Commission		Division			
		BUF 115	Financial Administration			
		BUF 141	Employees Retirement System			
		BUF 143	Employer Union Trust Fund			

# DEPARTMENT OF BUDGET AND FINANCE Department Summary

#### Mission Statement

Enhance long-term productivity and efficiency in government operations by providing quality budget and financial services that prudently allocate and effectively manage available resources.

#### Department Goals

Improve the executive resource allocation process through planning, analysis and recommendation on all phases of program scope and funding; maximize the value, investment, and use of State funds through planning, policy development, timely scheduling of State bond financing and establishment of appropriate cash management controls and procedures; provide retirement and survivor benefits for State and County members and prudently maximize the return on investments; provide health and life insurance benefits to active and retired State and County public employees and their dependents that are affordable to both public employers and participants; ensure that regulated companies provide communication, utilities, and transportation services to the public at acceptable standards of quality, dependability, and safety; and safeguard the rights of indigent individuals in need of assistance in criminal and related cases.

#### Significant Measures of Effectiveness

- 1. Percentage of recommendations on departments' requests completed by due date
- 2. Average annual rate of return on State treasury investments

**FY 2007 Supplemental Operating Budget** 

Adjustments by Major Program

3. Rate of interest paid on State bonds relative to the Bond Buyer Index for bonds of comparable term and credit

\$3,713,830

#### FY 2007 Supplemental

FY 2006 FY 2007

90

90

2.37

#### **Operating Budget**

Other Government-Wide Support, \$32.184.146. 2%

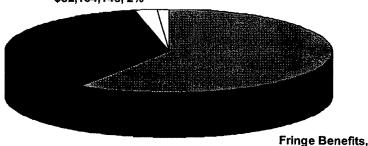
Individual Rights, \$16,856,463, 1%

\$880,606,016,59%

90

90

2.36



### **Total \$1.5 B**

# \$92,852 Debt Service Individual Other Rights Government-Wide Support \$(16,913,823)

Total (\$13.1 M)

Debt Service.

\$558,048,269,38%

# Department of Budget and Finance (Operating Budget)

		Act 178/2005 FY 2006	Act 178/2005 FY 2007	FY 2007 Adjustments	Total FY 2007
<b>Funding Sources:</b>	Positions	143.00	143.00	1.00	144.00
General Funds	\$	596,451,041	637,405,168	-3,497,387	633,907,781
		41.00	41.00	0.00	41.00
Special Funds		8,505,197	8,205,197	0	8,205,197
Federal Funds		30,957	30,957	0	30,957
		30.00	30.00	0.00	30.00
Trust Funds		8,693,905	7,925,444	658,830	8,584,274
Interdepartmental	Transfers	782,631,986	839,156,408	-10,268,584	828,887,824
		75.00	75.00	0.00	75.00
Other Funds		8,078,861	8,078,861	0	8,078,861
		289.00	289.00	1.00	290.00
<b>Total Requirements</b>		1,404,391,947	1,500,802,035	-13,107,141	1,487,694,894

#### Highlights of the Executive Supplemental Budget Request: (general funds unless noted)

- 1. Reduces the general fund in FY 2007 by \$6,645,239 and the inter-departmental transfer fund by \$10,268,584 for debt service.
- 2. Provides \$3,055,000 for Court Appointed Counsel for fee increase authorized by Act 86, SLH 2005.
- 3. Provides \$600,000 in trust funds for computer maintenance for Employer-Union Health Benefits Trust Fund.
- 4. Provides 1.00 permanent, 1.00 temporary position counts and \$92,852 in General Funds and 1.00 temporary position count and \$35,230 in Trust Funds for new positions.
- 5. Provides 5.00 Trust Fund and 10.00 Other Fund temporary position counts for unbudgeted positions.

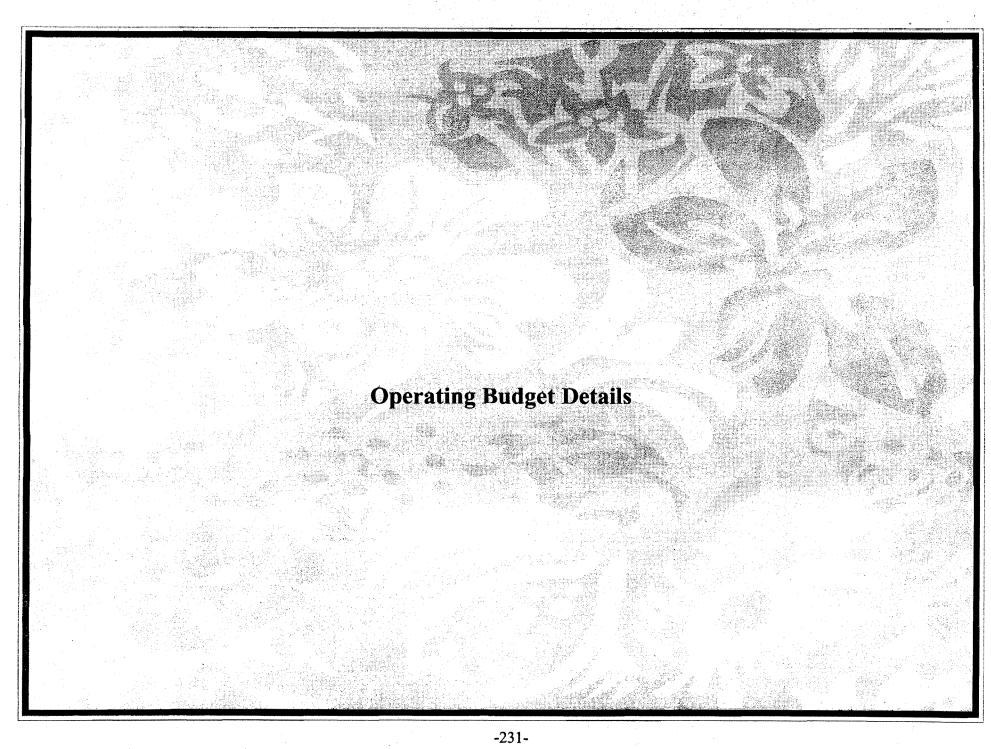
# Department of Budget and Finance (Capital Improvements Budget)

	Act 178/2005 FY 2006	Act 178/2005 FY 2007	FY 2007 Adjustments	Total FY 2007
<b>Funding Sources:</b>				
General Obligation Bonds	243,314,000	92,400,000	0	92,400,000
Total Requirements	243,314,000	92,400,000	0	92,400,000

Highlights of the Executive Supplemental CIP Budget Request: (general obligation bonds unless noted)

<sup>1.</sup> None.

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## EXECUTIVE SUPPLEMENTAL BUDGET

PROGRAM ID:

BUF-

PROGRAM STRUCTURE NO: 10

PROGRAM TITLE:

INDIVIDUAL RIGHTS

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		FY 2006			FY 2007		BIENNIU	JM TOTALS	
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND Apprn	CURRENT BIENNIUM	RECOMMEND 8IENNIUM	PERCENT CHANGE
OPERATING	121.00*	×	121.00*	121.00*	1.00*	122.00*	*	*	*
PERSONAL SERVICES	11,152,932		11,152,932	11,173,364	88,416	11,261,780	22,326,296	22,414,712	
OTH CURRENT EXPENSES	5,867,282		5,867,282	5,590,247	1,338	5,591,585	11,457,529	11,458,867	
EQUIPMENT	2,881		2,881		3,098	3,098	2,881	5,979	
TOTAL OPERATING COST	17,023,095		17,023,095	16,763,611	92,852	16,856,463	33,786,706	33,879,558	.27
						,			
BY MEANS OF FINANCING									
	80.00*	*	* 80.00*	80.00*	1.00*	81.00*	*	*	* *
GENERAL FUND	8,517,898		8,517,898	8,558,414	92,852	8,651,266	17,076,312	17,169,164	
	41.00*	*	41.00*	41.00*	*	41.00*	*	*	1 1
SPECIAL FUND	8,505,197		8,505,197	8,205,197		8,205,197	16,710,394	16,710,394	
TOTAL POSITIONS	121.00*	*	121.00*	121.00*	1.00*	122.00*			
TOTAL PROGRAM COST	17,023,095		17,023,095	16,763,611	92,852	16,856,463	33,786,706	33,879,558	.27
·		******				=======================================	**********		

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PROGRAM ID:

BUF-151

PROGRAM STRUCTURE NO: 100301

PROGRAM TITLE:

OFFICE OF THE PUBLIC DEFENDER

PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	IUM TOTALS RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES EQUIPMENT	80.00* 7,850,234 664,783 2,881	*	80.00* 7,850,234 664,783 2,881	80.00* 7,870,666 687,748	1.00* 88,416 1,338 3,098	81.00* 7,959,082 689,086 3,098	* 15,720,900 1,352,531 2,881	15,809,316 1,353,869 5,979	x **
TOTAL OPERATING COST	8,517,898		8,517,898	8,558,414	92,852	8,651,266	17,076,312	17,169,164	.54
BY MEANS OF FINANCING		•							
GENERAL FUND	80.00* 8,517,898		80.00* 8,517,898	80.00* 8,558,414	1.00* 92,852	81.00* 8,651,266	17,076,312	17,169,164	*
TOTAL POSITIONS TOTAL PROGRAM COST	80.00* 8,517,898	*	80.00* 8,517,898	80.00* 8,558,414	1.00* 92,852	81.00* 8,651,266	17,076,312	17,169,164	.54

#### NARRATIVE FOR SUPPLEMENTAL BUDGET REQUESTS FY 2007

Program ID: BUF 151

Program Structure Level: 10 03 01

Program Title: OFFICE OF THE PUBLIC DEFENDER

#### A. Program Objective

To safeguard the rights of individuals in need of assistance in criminal, mental commitment, and family cases by providing them with statutorily entitled legal services.

#### B. Description of Request

One (1.00) permanent Deputy Public Defender V (DPD V) position and general funds of \$92,852 for the Kona Branch of the Office of the Public Defender (OPD).

#### C. Reasons for Request

The requested DPD V position in the Kona Branch Office of the OPD will provide the sorely needed in-office supervisor to administer the branch and an additional deputy public defender to deliver services on the west side of the Big Island.

The Kona Branch Office has relied on a single supervisor assigned to oversee operations in both the Hilo and Kona branches. This has become unmanageable due to the geographic separation of the two offices and because the Hilo supervisor is also required to carry a caseload in the Hilo courts. Currently, the senior deputy in Kona, a DPD IV, serves as the de facto supervisor and handles the administration of that office. Much of the decision making must be made long-distance through Honolulu. Each branch office (Honolulu, Kauai, Maui and Hilo) except the Kona office has a DPD V to supervise both the legal and clerical staff.

The addition of a DPD V would also increase the legal staff in that office and provide needed support to the growing population and the resulting increase in public defender caseloads. As reflected below, felony and misdemeanor caseloads since fiscal year 2000-01 have increased for the Kona office.

	<u>2000-01</u>	2001-02	2002-03	2003-04	2004-05
Felony	298	358	413	456	437
Misdemeanor	1,296	1,569	2,103	1,949	1,532
Family Court	594	586	546	589	473
Mental Commit.	1	8	13	25	21

To process these additional cases, the Judiciary has added a new circuit judgeship to the Third Circuit (Big Island). Without sufficient staffing in the OPD cases will not be efficiently processed through the court system.

#### D. Significant Changes to Measures of Effectiveness and Program Size

The additional staffing will assist the OPD to provide effective representation to its clientele.

PROGRAM ID:

PROGRAM TITLE:

BUF-

PROGRAM STRUCTURE NO: 11

GOVERNMENT-WIDE SUPPORT

	CUBBENT								
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND Apprn	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	168.00*	*	168.00*	168.00*	*	168.00*	*	***	*
PERSONAL SERVICES	10,197,449		10,197,449	10,252,170	637,764	10,889,934	20,449,619	21,087,383	•
OTH CURRENT EXPENSES	1,376,934,103		1,376,934,103	1,473,652,754	13,837,757-	1,459,814,997	2,850,586,857	2,836,749,100	
EQUIPMENT	237,300		237,300	133,500	20,001,151	133,500	370,800	370,800	
TOTAL OPERATING COST	1,387,368,852		1,387,368,852	1,484,038,424	13,199,993-	1,470,838,431	2,871,407,276	2,858,207,283	. 46
BY MEANS OF FINANCING									
	63.00*	*	63.00*	63.00*	*	63.00*	*	*	*
GENERAL FUND	587,933,143		587,933,143	628,846,754	3,590,239-	625,256,515	1,216,779,897	1,213,189,658	
OTHER FED. FUNDS	30,957		30,957	30,957	•	30,957	61,914	61,914	
	30.00*	*	30.00*	30.00*	*	30.00*	*	*	: *
TRUST FUNDS	8,693,905		8,693,905	7,925,444	658,830	8,584,274	16,619,349	17,278,179	
	*	*	* [	*	*	*	*	*	*
INTERDEPT. TRANSF	782,631,986		782,631,986	839,156,408	10,268,584-	828,887,824	1,621,788,394	1,611,519,810	
	75.00*	*	75.00*	75.00*	*	75.00*	*	*	: *
OTHER FUNDS	8,078,861		8,078,861	8,078,861		8,078,861	16,157,722	16,157,722	
CAPITAL INVESTMENT									
PLANS	100,000		100,000			į	100,000	100,000	
DESIGN	570,000		570,000			i	570,000	570,000	
CONSTRUCTION	242,644,000		242,644,000	92,400,000		92,400,000	335,044,000	335,044,000	
TOTAL CAPITAL COSTS	243,314,000		243,314,000	92,400,000		92,400,000	335,714,000	335,714,000	
BY MEANS OF FINANCING			· ·			•			
G.O. BONDS	243,314,000		243,314,000	92,400,000		92,400,000	335,714,000	335,714,000	
TOTAL POSITIONS	168.00*	*	168.00*	168.00*	*	168.00*		•	
TOTAL PROGRAM COST	1,630,682,852	•	1,630,682,852	1,576,438,424	13,199,993-	1,563,238,431	3,207,121,276	3,193,921,283	. 41-
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TROCKAN STRUCTURE

PROGRAM STRUCTURE NO: 11010305

BUF-101

PROGRAM TITLE:

PROGRAM ID:

DEPARTMENTAL ADMINISTRATION & BUDGET DIV

		FY 2006			FY 2007		BIENNI	UM TOTALS	
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	49.00*	*	49.00*	49.00*	*	49.00*	*	*	*
PERSONAL SERVICES	2,812,979		2,812,979	2,812,979	45,612	2,858,591	5,625,958	5,671,570	
OTH CURRENT EXPENSES	368, 195, 799		368,195,799	388,946,248	3,009,388	391,955,636	757,142,047	760,151,435	
EQUIPMENT	1,500		1,500	1,500		1,500	3,000	3,000	
TOTAL OPERATING COST	371,010,278	********	371,010,278	391,760,727	3,055,000	394,815,727	762,771,005	765,826,005	.40
BY MEANS OF FINANCING			·			'			
	49.00*	*	49.00*	49.00*	*	49.00*	*	*	
GENERAL FUND	152,152,289		152,152,289	159,556,392	3,055,000	162,611,392	311,708,681	314,763,681	
OTHER FED. FUNDS	30,957		30,957	30,957		30,957	61,914	61,914	
INTERDEPT. TRANSF	218,826,133		218,826,133	232,172,479		232,172,479	450,998,612	450,998,612	
OTHER FUNDS	899		899	899		899	1,798	1,798	
CAPITAL INVESTMENT									
PLANS	100,000		100,000 !			!	100.000	100,000	
DESIGN	570,000		570,000			i	570,000	570,000	
CONSTRUCTION	242,644,000		242,644,000	92,400,000		92,400,000	335,044,000	335,044,000	
TOTAL CAPITAL COSTS	243,314,000		243,314,000	92,400,000	******	92,400,000	335,714,000	335,714,000	
BY MEANS OF FINANCING			•.						
G.O. BONDS	243,314,000		243,314,000	92,400,000		92,400,000 }	335,714,000	335,714,000	
TOTAL POSITIONS	49.00*	*	49.00*!	49.00*	*	49.00*			
TOTAL PROGRAM COST	614,324,278		614.324.278	484,160,727	3,055,000	487,215,727	1,098,485,005	1,101,540,005	.28
	***********	******					*************		

#### Narrative for Supplemental Budget Requests FY 2007

Program ID: BUF 101

Program Structure Level: 11 01 03 05

Program Title: Departmental Administration and Budget Division

#### A. Program Objective

To facilitate and improve the executive resource allocation process by undertaking planning, programming, and budgeting by conducting analyses and by making recommendations on all phases of inter- and intra-program scope and funding.

#### **B.** Description of Request

Additional general funds of \$3,055,000 are required to support increases in fees for court appointed counsel pursuant to Act 86, SLH 2005.

Additional 1.00 FTE temporary Accountant III position is required to support added fiscal workload that will result because of the Voluntary Employee's Beneficiary Association (VEBA) requirements.

#### C. Reasons for Request

Increases in the hourly compensation rate for court appointed counsel services under Section 802-5, Hawaii Revised Statutes (HRS), and increases in the maximum fees for various case types identified in Section 802-5(b), HRS that are effective July 1, 2006 pursuant to Act 86, SLH 2005 will require additional appropriations of general funds to the Department of Budget and Finance. The Department serves as a conduit for payments based on certifications made by the courts.

Act 245, Session Laws of Hawaii (SLH), 2005, authorized the establishment of a Voluntary Employee's Beneficiary Association (VEBA), trust under Section 501 (c) (9) of the Internal Revenue Code to provide health benefits for particular State and county bargaining unit members and electing and future retirees. The additional temporary Accountant III position is needed to ensure proper validation of the employer contribution amounts that will be paid directly to the VEBA. The Accountant III position is also required to provide the necessary fiscal support to ensure that proper internal controls and fund reconciliation requirements are implemented and maintained for the State's receipt of federal Medicare Part D subsidy payments. The State is also applying for the subsidy on behalf of the counties and the requested position will be responsible for allocation and disbursement of funds.

#### D. Significant Changes to Measures of Effectiveness and Program Size

The required staffing will permit established measures of effectiveness to be attained. Both the VEBA benefits plans and the Medicare Part D subsidies are new and significant undertakings that require support to ensure that other core operations can continue.

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PROGRAM ID:

BUF-115

PROGRAM STRUCTURE NO: 110203

PROGRAM TITLE:

FINANCIAL ADMINISTRATION

		FY 2006	,	- # ···	FY 2007		BIENNI		
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	18.00*	*	18.00*	18.00*	*	18.00*	*	*	*
PERSONAL SERVICES OTH CURRENT EXPENSES	917,030 517,658,656		917,030 517,658,656	919,062 580,914,522	227,422 17,141,245-	1,146,484 563,773,277	1,836,092 1,098,573,178	2,063,514 1,081,431,933	
TOTAL OPERATING COST	518,575,686		518,575,686	581,833,584	16,913,823-	564,919,761	1,100,409,270	1,083,495,447	1.54-
BY MEANS OF FINANCING		•	, , , , , , , , , , , , , , , , , , ,			,			
	14.00*	*	14.00*	14.00*	*	14.00*	*	*	* *
GENERAL FUND	233,885,233		233,885,233	262,208,731	6,645,239~	255,563,492	496,093,964	489,448,725	
	4.00*	*	4.00*	4.00*	*	4.00*	*	*	k , *
TRUST FUNDS	4,768,000		4,768,000	4,768,000		4,768,000	9,536,000	9,536,000	
	*	*	*	*	*	*	*	4	*
INTERDEPT: TRANSF	279,922,453		279,922,453	314,856,853	10,268,584-	304,588,269	594,779,306	584,510,722	
TOTAL POSITIONS	18.00*	*	18.00*!	18.00*	*	18.00*!			
TOTAL PROGRAM COST	518,575,686		518,575,686	581,833,584	16,913,823-	564,919,761	1,100,409,270	1,083,495,447	1.54-
	=======================================								

#### Narrative for Supplemental Budget Requests FY 2007

Program ID: BUF 115

Program Structure Level: 11 02 03 Program Title: Financial Administration

#### A. Program Objective

To maximize the value, investment, and use of State funds through proactive planning, the development of prudent statewide planning policies, the timely scheduling of State bond financing and the establishment of appropriate cash management controls and procedures.

#### B. Description of Request

- To reduce the debt service requirements in FY 07 by \$16.9 million, \$6.6 million in general funds and \$10.3 million in inter-departmental transfer funds. The savings are due to the issuance of GO refunding bonds (Series DG and Series DH), new GO bond issuances (Series DF) at lower interest rates than projected (from 5.30% to 4.86%) and to reflect the revised bond issuance plan in accordance with the FY 07 supplemental budget request.
- To continue 5.00 temporary positions established in FY 05 to provide public outreach
  and direct assistance to citizens in an effort to increase the return of Unclaimed
  Properties to the public. The transfer of \$227,422 in "T" funds from Other Current
  Expenses to Personal Services is also requested to fund the positions.

#### C. Reasons for Request

The Department issued new money (Series DF) and refunding (Series DG and DH)
general obligation bonds in June 2005. The actual interest rate obtained on the new
money bonds were less than budgeted and, along with debt service savings achieved
through the refunding bonds, debt service payments due in FY 07 were reduced. The
revised bond issuance plan includes the following:

	Act 178/05 Issuance Plan	Exec Supp Budget <u>Issuance Plan</u>
FY 2006	\$500 million	\$350 million
FY 2007	\$400 million	\$500 million
FY 2008	\$350 million	\$500 million
FY 2009	\$240 million	\$400 million

Of the total FY 07 net savings of \$16.9 million, \$10.1 million are from the Series DF issue and the Series DG and DH refunding and \$6.8 million from the revised bond issuance plan.

2. In an increased effort to return monies to their rightful owners, the Unclaimed Property Program initiated a public outreach effort to increase the public's awareness of the Program and to provide direct assistance to citizens in searching for property. To accomplish this initiative and meet the Program's objectives, five (5.00) temporary positions were established in FY 05 to implement the outreach project. This request is to continue these 5.00 temporary positions to continue the program's public outreach and direct assistance efforts.

#### D. Significant Changes to Measures of Effectiveness and Program Size

- The refunding bond issues generated debt service savings of \$ 8.8 million in FY 07 and a total of approximately \$55.4 million over the life of the bonds.
- 2. Continuation of the Unclaimed Property Program's outreach efforts are expected to increase the Program's activity level with respect to the number of property searches conducted, number of claims filed, number of claims paid and overall awareness of the program. In addition, educational efforts for holders who are required to report property to the Program should increase the number of holders reporting and submitting unclaimed property to the Program.

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PROGRAM ID:

BUF-141

PROGRAM STRUCTURE NO: 11030601

PROGRAM TITLE:

EMPLOYEES RETIREMENT SYSTEM

	FY 2006				FY 2007		BIENNIUM TOTALS		
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND Apprn	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES	75.00*	*	75.00*	75.00*	*	75.00*	*	*	
OTH CURRENT EXPENSES	4,927,462 488,713,521		4,927,462 488,713,521	4,927,462 502,227,207	331,500 331,500~	5,258,962 501,895,707	9,854,924 990,940,728	10,186,424	
EQUIPMENT	216,000		216,000	132,000		132,000	348,000	348,000	
TOTAL OPERATING COST	493,856,983	#*************************************	493,856,983	507, 286, 669		507,286,669	1,001,143,652	1,001,143,652	
BY MEANS OF FINANCING									
GENERAL FUND	201,895,621		201,895,621	207,081,631		207,081,631	408,977,252	408,977,252	
INTERDEPT. TRANSF	283,883,400		283,883,400	292, 127, 076		292,127,076	576,010,476	576,010,476	
ATUES FUNDS	75.00*	*	75.00*	75.00*	*	75.00*	*	*	. *
OTHER FUNDS	8,077,962		8,077,962	8,077,962		8,077,962	16,155,924	16,155,924	
TOTAL POSITIONS	75.00*	*	75.00*	75.00*	. *	75.00*			
TOTAL PROGRAM COST	493,856,983	***********	493,856,983	507,286,669		507,286,669	1,001,143,652	1,001,143,652	

#### Narrative for Supplemental Budget Requests FY 2007

Program ID: BUF 141

Program Structure Level: 11 03 06 01

Program Title: Employees' Retirement System

#### A. Program Objective

To provide retirement and survivor benefits for State and County members and to prudently maximize the return on investments.

#### B. Description of Request

Continue ten (10.00) temporary positions to manage the impacts on ERS' core operations due to temporary re-deployment of existing experienced staff to work on three (3) major on-going projects. The positions include: seven (7.00) temporary Retirement Claims Examiners III and three (3.00) temporary Clerk-Typist II positions. Six (6.00) temporary Retirement Claims Examiners III will be located in the Enrollment Claims and Benefits Branch (EC&B Branch) on Oahu and one (1.00) in the Kauai office. The three (3.00) temporary Clerk-Typists II positions will be located on Oahu.

#### C. Reasons for Request

Authorization for the ten (10.00) temporary positions are needed to help the ERS meet the workload demands of its core program operations and minimize the backlogs that are expected to occur in the servicing of member enrollments, claims, and pension benefits. The existing and future need for the ten (10.00) temporary positions is due to re-assignment of experienced and key ERS staff from the core operations to support the three (3) major, time sensitive and critical ERS projects - the Hybrid Plan, the Pension Management Information System and the

Member Statement project. In total, approximately 40% of ERS staff is assigned to these projects to ensure the success of each project. The three projects are being undertaken simultaneously based on the legislative and budgetary mandated effective dates.

The Hybrid Plan was enacted by Act 179, SLH 2004, and becomes effective on July 1, 2006. This plan is the third plan implemented since the ERS was established in 1925. The Hybrid Plan will impact over 58,000 noncontributory and certain contributory members (out of 63,000 current ERS members). These members will have an opportunity to join the Hybrid Plan or elect to remain in their current noncontributory or contributory plans. A dedicated team of ERS staff are assigned to support plan implementation. The project is expected to last through FY 09 if federal legislation is enacted or an Internal Revenue Service ruling allows conversion of previous noncontributory time to the Hybrid Plan service with a higher pension benefit formula.

The second major project is the implementation of a new fully integrated pension management information system. In order to ensure the project's success, the ERS has dedicated a team of 13 employees from most of its branches to assist with this implementation effort. This multi-million dollar project, when completed in FY 08, will result in tremendous efficiencies and move the ERS one step closer to providing its members with a single self-service point of contact. The project is being phased in over several years to reduce the implementation risks. During this time, operations staff will be learning and testing the new modules while operating two systems simultaneously.

The third major project impacts 67,000 current members and vested former members that are being issued a member's statement reporting their years of service and contributory account balance as of June 30, 2005. This information is critical for all members and is especially important for those who are strongly considering retirement or converting to the new Hybrid Plan. The Members Statement Project is expected to last through FY 09 with a team comprised of seven (7) dedicated ERS employees to review, identify and, as necessary, correct the years of service and account balances identified by the member. Another similar project for 63,000 statements issued resulted in over 6,000 inquiries and took a project team of six (6) over three years to complete.

The temporary positions are needed to provide support for core operations including service requests for membership counseling, retirement estimate requests, years of service inquiries, purchase of service requests, disability and death claims, membership enrollments, and other general correspondence. These requests are expected to continue to increase in the future. By the year 2013, the ERS' actuary projected that the number of retirees will grow to over 40,000, or a +25% increase over the next 7-8 years.

The 10.00 positions requested are currently and will continue to be funded within the exiting MOF (X) budget ceiling authorized for the BUF 141 program.

#### D. Significant Changes to Measures of Effectiveness and Program Size

These positions will assist the ERS in successfully implementing three major time sensitive and critical projects to improve operational efficiencies and provide its membership with timely, accurate information. Although there are expected increased backlogs in certain areas in the short-term, even with the requested positions, the future benefits to the ERS and its membership is expected to be greatly enhanced by providing members with access their information on-line and make changes as required at a time when the number of retirees is expected to grow

significantly. In the absence of these positions, backlogs are expected to significantly increase in multiple areas and the success of the projects is jeopardized as limited resources are further stretched between competing priorities.

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PROGRAM ID:

BUF-143

PROGRAM STRUCTURE NO: 11030603

PROGRAM TITLE:

EMPLOYER UNION TRUST FUND

PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	IUM TOTALS RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES EQUIPMENT	26.00* 1,539,978 2,366,127 19,800		26.00* 1,539,978 2,366,127 19,800	26.00* 1,592,667 1,564,777	33,230 625,600	26.00* 1,625,897 2,190,377	3,132,645 3,930,904 19,800	3,165,875 4,556,504 19,800	; <b>*</b>
TOTAL OPERATING COST	3,925,905		3,925,905	3,157,444	658,830	3,816,274	7,083,349	7,742,179	9.30
BY MEANS OF FINANCING TRUST FUNDS	26.00* 3,925,905		26.00* 3,925,905	26.00* 3.157.444	* (50 930	26.00*	* * * * * * * * * * * * * * * * * * *		. *
TOTAL POSITIONS	26.00*		3,725,705   26.00*	3,157,444 26.00*	658,830 *	3,816,274   26.00*	7,083,349	7,742,179	,
TOTAL PROGRAM COST	3,925,905		3,925,905	3,157,444	658,830	3,816,274	7,083,349	7,742,179	9.30

#### Narrative for Supplemental Budget Requests FY 2007

Program ID: BUF 143

Program Structure Level: 11 03 06 03 Program Title: Employer-Union Trust Fund

#### A. Program Objective

To provide health and life insurance benefits for eligible active and retired State and County public employees and participants.

#### B. Description of Request

- Additional 1.00 FTE Temporary Clerk III and related funds for additional administrative support requirements.
- Additional \$23,600 for increased printing and mailing expenses for Consolidated Budget Reconciliation Act (COBRA) notices requirements.
- 3. Additional \$600,000 for computer system maintenance for the current HFIMS/PeopleSoft computer system.

#### C. Reasons for Request

- 1. The U.S. Department of Health and Human Services established the Medicare prescription drug benefit (Medicare Part D). Effective January 1, 2006, plans sponsors can receive an annual subsidy equal to 28% of specified drug costs. The Department of the Attorney General has determined that the State and County employers are the "plans sponsors" and the Governor has designated the Department of Budget and Finance (B&F) to apply for the State subsidy. The EUTF has entered into a Memorandum of Understanding (MOU) with the B&F to provide administrative support for the Medicare Part D Subsidy. B&F and EUTF presently do not have enough resources to provide efficient and timely support for eligible Medicare Part D retirees and reconciliation of the monthly data files that must be sent to the Center for Medicare and Medicaid Services (CMS) related to the subsidy. The requested 1.00 FTE Temporary Clerk III is needed to provide dedicated customer service support, monthly reconciliation of the CMS data file, and other ongoing support for the Medicare Part D subsidy.
- 2. COBRA requires most group health plan sponsors to provide covered employees and their covered dependents the option to continue the same group health coverage at group rates for a specified period of time when the employees and/or their covered dependents would otherwise lose coverage under the group health plan due to one or more qualifying events (e.g., termination of employment). The request for additional funds for printing and

- mailing will address recurring additional costs associated with the latest COBRA notification requirements which are based on the new regulations as issued by the federal Department of Labor.
- The additional \$600,000 for computer system maintenance is needed to ensure operation of the current HFIMS/PeopleSoft computer system and to resolve any problems that may develop. The HFIMS/PeopleSoft is used by the EUTF to process enrollments and accounts receivables in the delivery of health benefits to over 200,000 State and County employees, retirees and dependents. The current HFIMS/PeopleSoft runs on unsupported versions of PeopleSoft so the 2005 Legislature provided funding authorization in FY 2006 for on-going computer/technical support to ensure maintaining the system's continuity. As the EUTF continues to explore its system replacement options, the additional funding authorization is required to keep the system operational over the course of the next year to maintain customer service to its beneficiaries and to ensure compliance with HIPAA Privacy and Security rules. Operating on unsupported versions of PeopleSoft places the EUTF at a high risk of non-compliance with HIPAA. EUTF must address the concerns of ensuring the confidentiality, integrity and availability of the data as mandated by federal rules. Its systems are mission critical applications to access data for its business processes.

#### D. Significant Changes to Measures of Effectiveness and Program Size

The requests are necessary to enable the program to maintain its current and planned levels of service and program effectiveness.

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